

Intellectual property and its protection

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INTRODUCTION

The best way to make money from the intellectual property in your ideas or your employees' ideas is not always obvious.

It is important to understand what type of intellectual property your idea involves before you take steps to protect and develop it.

This guide provides an outline of the different types of intellectual property and suggests some key considerations that you should make before commercialising your idea.

We hope that you find the guide useful – and welcome your feedback and suggestions.

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THE IDEA

You've got a great idea on your mind, or maybe one of your staff has come up with an excellent solution to a recurring problem.

It could be software that lets executives easily understand the piles of data produced by their IT systems, or the development of a bioactive compound with excellent anti-inflammatory properties.

But are those ideas really intellectual property (IP)? And is that IP really yours?

Like other property rights, IP can give you the right to stop others using what is rightfully yours. Sadly, IP does not have a one-size-fits-all model.

IP comes in a range of flavours, with different compliance and registration requirements and varying degrees and periods of protection.

You need to know what flavour of IP you need (or have already), before thinking about commercialising anything. The main IP flavours are:

UNREGISTERED IP

Including:

- copyright – exclusive rights to exploit works, with no need to register anything. Copyright doesn't completely protect your ideas, it only stops others from copying the physical expression of your ideas;
- trade secrets and confidential information (it's not what you know, but knowing what others don't);
- printed circuit layout designs (special rights, similar to copyright, apply to printed circuits); and
- common law trade marks (unregistered trade marks).

REGISTERED IP

Including:

- patents (protection for inventions);
- trade marks (protection for brands, identifying symbols and words);
- design rights (protection for designs); and
- plant variety rights (protection for new plant varieties).

In this section, we explain these IP flavours in more detail. Each flavour also has its own rules about who actually owns the IP, so we will outline who owns what at the end of each section.

COPYRIGHT

Copyright protects works, which include:

- artistic works, including designs and screen displays, and simple industrial drawings;
- literary works, including documents, computer programs and compilations;
- communication works (transmissions of sound, visual images or other information for reception by members of the public, e.g., broadcast or cable programmes);

- other works (including dramatic, musical and computer-generated works/films).

There can be different “layers” of copyright in a work. For example in relation to a product there could be copyright in a two-dimensional drawing of the product and also copyright in the three-dimensional visual appearance of the product.

Works must be original and, in most cases, works must be recorded in writing or by some form of notation or code (regardless of the media on which they are recorded).

You don't have to register anything to qualify for copyright in New Zealand, as it comes into existence automatically upon the creation of a work.

That said, you should consider marking your works with a notice of the existence of copyright. For instance: Copyright (or ©) Einstein Limited 2008. This extends copyright, or the right to file for copyright registration, in countries that are party to the Universal Copyright Convention and which require compliance with formalities such as deposit.

In effect, copyright gives the owner of an original work exclusive rights to exploit the work, including the right to prevent the copying of that work.

However, copyright does not protect ideas: it only protects the physical expression of those ideas. For example, copyright will protect software code that lets you surf the Internet (e.g., the original Netscape Navigator), but copyright does not prevent someone independently writing different code that does the same thing (e.g., Microsoft developing Internet Explorer). Also, copyright does not prevent fair dealing with a copyright work for the purpose of research or private study.

Whilst there are exceptions, copyright generally lasts for 50 years after the death of the author. However, copyright in computer-generated works, and other works that don't have an author, lasts for 50 years from the year of creation. For communication works, copyright expires 50 years from the end of the calendar year in which the work is first communicated to the public.

If your idea involves software, copyright is likely to be your main source of IP protection.

Copyright is generally owned by the person who creates the relevant work. However, if that person is an employee acting in the course of his or her employment, then the employer owns the copyright. If you are commissioned to create the work, then the copyright is owned by the person who commissions the work. These general “rules” can be varied by agreement.

TRADE SECRETS AND CONFIDENTIAL INFORMATION

The right to keep something secret or confidential is a valuable but often overlooked form of IP. This right is protected at common law and is particularly useful for protecting concepts and new product formulae and processes, especially in areas of fast-developing technology.

You could try and keep all of your ideas secret but, practically, most good ideas need to be disclosed at some stage - to consultants, employees or potential investors, for example.

If you have to disclose your confidential information or trade secrets, you can enter into contracts with the recipients, which contain express confidentiality terms.

Confidentiality agreements are likely to be enforceable in most of our trading markets, so they can be used internationally as well as locally.

In addition to any explicit contractual rights, the courts have developed a common law action for breach of confidence. This can be used to prevent misuse of information obtained in confidential circumstances, if:

- the relevant information is of a confidential nature;
- the information is communicated in a way that introduced an obligation of confidence; and
- an unauthorised use or disclosure of that information is made or is about to be made.

For such an action to succeed, the information that can be classed as of a confidential nature or trade secrets is limited.

It can include:

- formulae;
- processes and know-how (for example, a method of manufacturing a product, specialist knowledge, experience or expertise);
- marketing strategies and customer lists; and
- concepts and valuable ideas.

So, if your idea involves a specific process that cannot be identified from the end result, then going through a lengthy protection process may be unnecessary if you can simply keep it secret.

In general, the person who holds the confidential information or trade secrets, or ultimately controls their use, is treated as the owner.

PRINTED CIRCUIT LAYOUTS

If your idea involves an original layout design for an integrated circuit board, then it may be protected as a layout design under the Layout Designs Act. This protection lasts for up to 15 years and is similar to copyright; no registration is required. As with copyright, the owner is the maker of the layout design, unless he or she is an employee acting under his or her terms of employment or the layout design is commissioned by someone else.

UNREGISTERED TRADE MARKS

It is possible to build up a property right in a trade mark without registering it. If a trade mark is not registered, the owner may be able to rely on the common law tort of passing off or take proceedings under the Fair Trading Act 1986 to enforce rights in the mark. However, this will necessitate the owner demonstrating it has an established “right” in the mark through use. Specifically, the owner needs to prove that:

- it has a goodwill or reputation in the trade mark (this is difficult if the trade mark has not been used or has been used for only a short time);
- the “infringer”, by adopting a confusingly similar mark, is misrepresenting its product or service as connected to the owner;
- damage has occurred or is likely to occur to the business of the owner of the trade mark.

The owner of a registered trade mark is not put to this proof – the fact of registration gives an automatic right of action to prevent use of a confusingly similar trade mark. This is very useful. See below for more on trade marks, including registered trade marks.

PATENTS

A patent is an exclusive statutory right to exploit (make, use and sell) an invention for up to 20 years. To obtain a patent in New Zealand, you must apply to IPONZ - the Intellectual Property Office of New Zealand - and pay the relevant fees.

There are different ways in which you might elect to file a patent application. The most common way for a local inventor to file a patent application in New Zealand is to file it with a provisional specification. This gives a broad description of the invention and attempts to cover possible future improvements as well. Subsequently, what is called a complete specification (or CAP – complete after provisional) is filed. This must be filed within 12 months of the provisional specification (although this is extendable up to 15 months). The CAP more precisely describes the invention and the method by which it is to be performed and contains claims which define the scope of the invention in respect of which protection is sought. Whilst New Zealand applicants usually file a provisional specification first, it is not necessary to do so and you can file a patent application with a complete specification. The advantage of filing with a provisional specification is that the filing date, and therefore a priority date, is established and the applicant has time to fine tune the detail of the invention, and perhaps even make investigations as to how successful it might be commercially, before filing the complete specification.

Once the patent application is filed, whether it is a complete or provisional specification, the invention can be publicly disclosed without the fear of invalidating the patent once granted – provided of course that any disclosures do not go beyond what is included in the application.

Once a patent application is filed, you can also indicate on your product or supporting materials that you have a patent application, although it is important not to give the impression that you have a patent granted until the patent has actually been sealed. Wording such as “New Zealand patent application no. ...” can be used.

The filing date of a patent application is very important because it determines all matters of priority including whether or not the patent has been anticipated by something earlier. It also constitutes the date from which rights flow (although an actual action for infringement cannot be taken until after the complete specification has been made available to the public). The filing date also sets running the 12 month period within which corresponding overseas patent applications may be filed (under the Paris Convention) claiming the same priority date as the New Zealand application.

Once a complete specification is filed, it is examined by IPONZ to determine if it meets the criteria for registration. Once any objections to registration raised by IPONZ are overcome, the patent is accepted and publicly notified. It can then be opposed by third parties for three months (extendable by one month) after publication. Once a patent is granted, it can still be challenged by way of revocation proceedings before the Commissioner of Patents or the High Court.

A New Zealand-only patent may be of little value, due to the small size of the New Zealand market and its disclosure of the invention to overseas competitors. Often protection overseas is required and patent applications will need to be filed in relevant countries.

If you decide that your idea requires patent protection in more than one country, it can be an expensive process. Whilst you may elect to file applications in each country of interest,

it is possible to apply for a patent by filing a single application under the Patent Cooperation Treaty (PCT) which currently has 137 signatories. This is often a good option because it lowers the initial cost of filing for extensive international patent protection for about 18 months. Ordinarily, these costs are incurred about 12 months after the first patent application has been filed but by using the PCT system the costs are delayed until 30 months (or 31 in some countries) from the provisional application filing date. This allows time for an evaluation as to how successful the patent might be.

Under the PCT system, you can make a single international application to cover as many of the member countries that interest you. Once the PCT application is made, an international search is carried out which shows whether the invention is already patented or known. This is often helpful in determining whether it is worthwhile continuing with the application or not and, if so, in which countries. An application which continues in all or some of the countries nominated will still be examined in each country under the applicable patent laws in those countries.

To obtain a valid patent in New Zealand (and a number of other countries), your invention must:

- be new (i.e., it must not have been used, displayed, published or known in New Zealand before the date of filing the patent application. NB. the "local" novelty requirement will likely change to a universal requirement when the Patents Bill, currently before Parliament, passes into legislation);
- be capable of industrial application (i.e., able to be made in some kind of industry); and
- contain an inventive element (i.e., not be obvious).

What qualifies as an invention is not set in stone. It has included:

- new products or machines;
- new processes of manufacturing;
- new methods or processes of testing or controlling existing manufacturing processes;
- manners of new manufacture that result in economic benefit;
- improvements in manufacture and changes in methods that have economic importance (these may include quite small improvements);
- new methods of using old products;
- new chemical compounds or compositions;
- biotechnological matter; and
- computer technology

Patents have been refused for being:

- products or processes contrary to law or morality; or
- mere discoveries; or
- obvious inventions; or
- medicines produced by mixing known ingredients and that do not possess any new properties.

As patenting is an expensive process, it is important to consider searching prior to filing a patent application. This potentially saves money and embarrassment. Whilst you may have a reasonably good idea about what makes up the art in your field, there is potentially a lot of material of which you will not be aware. A search of both New Zealand and

overseas patent databases and relevant literature can help to decide whether it is worthwhile continuing on with a patent application. It can also alert you to the possibility of whether you infringe someone else's patent. Searching can also be important if you want to keep an eye on competitors or to gain information to solve a technical problem.

A patent will last in New Zealand for 20 years from the date IPONZ receives the complete specification, as long as renewal fees are paid at the end of the 4th, 7th, 10th and 13th years of the patent. Failure to pay renewal fees within six months of when they are due means the patent will lapse.

The owner of a patent is the person who holds the registered patent - the true and first inventor (unless the owner has assigned it to someone else).

REGISTERED TRADE MARKS

A trade mark is a symbol used to identify goods or services, that is of a distinctive character. Trade marks are also referred to as logos, brands or brand names. A trade mark serves as a promise of consistent quality - the more reliable the quality, the more value attaches to the trade mark.

The best way to protect a trade mark is to register it under the Trade Marks Act. This clarifies and strengthens the rights of the trade mark owner.

Registration confers the exclusive right to use the trade mark for the goods or services covered under the registration. It also confers protection against use of a similar trade mark in relation to the same goods or similar goods to those covered by the registration.

Registered trade marks can include:

- words including invented words, e.g., KODAK, XEROX and DULUX;
- logos;
- signatures;
- shapes;
- colours;
- smells;
- sounds; and
- labels.

However, to qualify for registration a trade mark must be distinctive and not be a mere description of the goods and/or services for which registration is sought. In other words, to be registrable the trade mark must be sufficiently fanciful that consumers will associate it with your business and not with other traders and their products or services.

A prerequisite to registration is that there are no other trade marks already registered (or applied for) that are the same or confusingly similar – not only can this be a bar to registration but it can also mean that you may be infringing third party rights.

A search can be conducted prior to adopting a new trade mark to ensure that it meets the requirements for registration and also to ensure that it is available for use. That is, it will not infringe the rights of other registered trade mark owners. Searches can also be tailored to monitor the activity of competitors.

An application for registration of a trade mark is filed at IPONZ and undergoes an examination process to determine if it meets the requirements of registration. If there are

no objections or any objections are overcome, the application is accepted for registration and published. The registration of a trade mark can be opposed by third parties within three months of publication.

If protection for a trade mark is required outside New Zealand, an application must be filed in the countries of interest. A convention application (under the Paris Convention) can be made claiming priority from the first filed application in New Zealand, provided it is filed within six months of the New Zealand application.

Generally speaking, it is necessary to file in each country although a single application can be filed for registration in countries in the European Community (by way of a Community trade mark application).

The initial registration period in New Zealand runs for 10 years from the date that the application is filed with IPONZ. Following this, the registration is renewable every 10 years for an indefinite period, upon payment of the renewal fee.

Once your trade mark is registered, you can use the ® symbol to alert third parties to your rights. If your trade mark is not registered, use the ™ symbol instead.

The owner of a trade mark is the person or entity registered as the owner.

DESIGN RIGHTS

Design rights are a special form of intellectual property that relate to the external appearance of an article.

If you register a design under the Designs Act, you receive an exclusive right to make, import, sell or hire an article covered by your registered design. To qualify for registration, your design must:

- apply to the shape, configuration or surface pattern or ornament of the article;
- be applied to an article by an industrial process or means;
- have eye appeal;
- not be purely functional; and
- be new or original, meaning that it has not been used in New Zealand (or described in any publication that is available in New Zealand prior to the date of application).

The full term of a design registration is 15 years. A design is registered initially for five years and may be renewed twice at the end of five and 10 years from the application date. Design applications are filed with IPONZ and go through an examination process to ensure they meet the requirements for registration. However, as copyright also protects designs - although not to the same extent as a registered design - design rights are rarely used in practice.

If you want to protect your design overseas, you must apply in each country where you require protection. If filed within six months of the New Zealand application, you can file an application under the Paris Convention and claim priority from the New Zealand application in many countries.

The owner of a design right is the person or entity registered as owner.

PLANT VARIETY RIGHTS

Rights are also available for new varieties of plants upon application to the Plant Variety Rights Office.

The grant of a plant variety right gives the owner the exclusive right to produce for sale and sell propagating material of the variety.

The grant of a Plant Variety Right may be made for a variety, if:

- it is new;
- it is distinct;
- it is uniform;
- it is stable; and
- an acceptable denomination (varietal name) is proposed.

If the application is accepted following evaluation, plant variety rights are granted for up to 20 years in the case of non-woody plants, or 23 years for woody plants.

The owner of a plant variety right is the person to whom the right is granted (i.e., a successful applicant, unless the owner has assigned the right to someone else).

PROTECT THE IDEA

PROTECT AND DEVELOP THE IP

Before you commercialise any idea, stop, think and decide:

- should you protect your IP?
- how should you protect your IP?

Let's look at each of these questions in turn.

SHOULD YOU PROTECT YOUR IP?

The traditional answer to the question whether to protect your IP is, of course, you should. However, just because you've always done it doesn't mean that it's right.

The new answer to the question whether to protect your IP is, it depends. There are a number of ways to make money out of ideas, and not all of them involve strong protection of IP.

For example, giving software away through an open-source licence could reap benefits through increased uptake and making money on associated services and products.

Patenting provides a lengthy monopoly over an invention, but the cost of getting a patent and enforcing it (particularly against a major overseas competitor) can be prohibitive.

That said, if you're in the biotech industry and you're planning to license your IP to big pharma, then you need strong patents to get past first base.

Our advice is to decide on an IP strategy and follow that strategy, whether it is protectionist or open. One way of deciding on an IP strategy is a process of elimination.

Start at the protectionist end of the IP spectrum: should you patent your invention?

Consider whether your invention or idea is actually patentable: is it sufficiently developed?; has someone else got there first (make sure you conduct a search to check this)?; and is it actually an invention or have you just discovered something that already exists? If you cannot patent your discovery, consider whether you might be able to patent the method of its extraction or identification.

As an alternative to patenting, consider whether you can keep your invention secret. Why bother patenting a new process that will not be revealed by the end product, if you can keep it secret?

Think about whether your invention can be easily invented around. Can your patented product be built on, broken down or modified in a way that doesn't infringe your patent? If so, it may be better to keep it a secret. It may also be better to keep it secret, if publication of the idea during the patent application process is a red rag to bullish competitors.

If you are in a fast-moving area of technology, your invention may be yesterday's news by the time you actually get patent protection.

Finally, do you have the resources to protect your patent if it is infringed?; and are its likely returns sufficient to justify the patent costs?

If you do decide to patent, consider whether one patent (for example, covering a key aspect of your idea) will suffice, or whether you will need a number of patents to try and minimise competition.

In a number of cases, the decision not to patent will be legitimate. That said, filing patent applications (even if they are not accepted) can give credibility to new operations in new markets.

If you have created a new design, think about registering your design (although in many cases this is unnecessary given the protection automatically given by copyright). If you have bred a new plant, think about registering the new plant as a new plant variety.

Turning to copyright, if you create it, then usually your copyright is automatic. However, copyright doesn't protect your ideas, just the representation of those ideas (e.g., the actual code of computer programmes).

That said, the copyright is yours to do with as you wish. If you want to release your idea, (or the source code for software that you have written), then consider making it freely available to be used and developed by others.

An example of this is the open source software movement. Instead of making money out of the actual product, you could make money out of associated services. It is also possible to make things available for non-commercial use to try and build a reputation and then charge for commercial use.

Don't forget other types of IP, too. For example, if your idea is simple, easily imitated without direct copying and it does not make sense to patent it, then consider registering a trade mark. If it is a really good idea, and you can steal a march on competitors and develop brand loyalty, the need for other types of protection will be reduced.

HOW SHOULD YOU PROTECT YOUR IP?

First, keep it confidential. Disclose it only to those who need to know and make sure recipients and employees are bound by confidentiality agreements.

Be careful to use your IP correctly – this applies particularly to trade marks. Adopt good in-house procedures for correct trade mark usage to ensure the integrity of the trade mark is not unwittingly destroyed.

If you decide to patent your IP, file an application with a provisional or complete specification with IPONZ. Decide which other countries will be potential markets and consider filing a Patent Co-operation Treaty (PCT) application with IPONZ nominating those countries too.

Registration fees range from hundreds of dollars for local patents to thousands of dollars for Patent Cooperation Treaty Applications, plus any agents' or advisers' fees which can amount to thousands of dollars. Also, remember that renewal fees are required at regular intervals, and escalate during a patent's life.

If you decide that patenting is not worthwhile, then consider registering a trade mark for your product instead. Trade mark registration in New Zealand can cost as little as \$1,000 (if there are no objections to the trade mark), but if you are registering trade marks overseas, the cost can escalate.

If you decide to register a design, first check that your design has not already been registered, and then file an application for registration with IPONZ. To keep a registered design current you also need to pay renewal fees every five years.

If you have bred a new plant, register it with the Plant Varieties Office by filing the relevant application documents and paying the fees, usually some hundreds of dollars.

There are no registration fees if you decide to rely on copyright, but you need to be more careful about confidentiality. In addition to contractual or legal protection of your copyright, consider whether technical protection mechanisms (otherwise known as digital rights management systems) are available that can protect your IP. For example, software could be limited to a certain number of users and report in or cease functioning if that limit is exceeded.

In the next few years, it is likely that technical protection measures will become widely used, at the least in the IT, recording and film industries and will probably cross over to other industries. *Mission Impossible's* self-destructing gadgets may no longer be mere fiction.

If you decide to license your IP to others, apart from providing a decent royalty, ensure that as an absolute minimum your licence agreements:

- clarify that you own the IP;
- restrict the user's rights appropriately;
- only include restricted warranties; and
- limit your liability in respect of the product.

Lastly, if you do become aware of a breach of your IP, be prepared to take action to enforce your rights. Sometimes a strongly worded letter from the lawyers can be good enough, but often further steps are needed and they can be costly.

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ONLINE RESOURCES

Intellectual Property Office of New Zealand	www.iponz.govt.nz
Environmental Risk Management Authority	www.ermanz.govt.nz
Plant Variety Rights Office	www.pvr.govt.nz
New Zealand Customs Service	www.customs.govt.nz
World Intellectual Property Organisation	www.wipo.int
Copyright Council of New Zealand	www.copyright.org.nz

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